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UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re  
Micha Star Liberty

Debtors.

Case No. 24-40401 WJL

Chapter 13

**MOTION FOR ORDER  
EXTENDING THE AUTOMATIC  
STAY TO NON-DEBTOR  
DEFENDANTSTO LITIGATION;  
MOTION FOR DAMAGES FOR  
STAY VIOLATION;  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT  
THEREOF**

Date: April 17, 2024

Time: 10:30 a.m.

Ctrm: 220

U.S. Bankruptcy Court  
1300 Clay Street, 2<sup>nd</sup> Fl.  
Oakland, California

**TO THE HONORABLE JUDGE WILLIAM J. LAFFERTY, UNITED STATES  
BANKRUPTCY JUDGE AND ALL INTERESTED PARTIES:**

**INTRODUCTION**

Micha Star Liberty (“Liberty”), the Chapter 13 Debtor in the above-entitled case hereby

Extension of the stay to Liberty Law Office, Inc. and Liberty Law, Inc. is appropriate and necessary here because Liberty cannot propose a plan of reorganization when her income is derived through her law practice. Bloom has established that these entities are alter-ego and successor alter-ego of Liberty and Bloom's actions are impacting the estate's property interests. Liberty's time must be devoted toward reorganizing rather than defending a state court action for which the sole purpose is to collect a debt from Liberty.

## FACTS

1 to achieve quick settlements to the detriment of clients, hiding her work for Harvey Weinstein  
2 from Liberty and the JVA clients, and Bloom's failure to pay all costs per the JVA. Further,  
3 Bloom did not obtain written consent of clients agreeing to joint representation and fee sharing as  
4 required by California law. On March 20, 2020, Bloom fired all of the staff attorneys dedicated  
5 to the JV, failed to pay all the required costs to Liberty Law, and abandoned the clients in  
6 violation of CRCP 1.16. Bloom thereafter filed notices to withdraw from the joint cases and filed  
7 liens demanding 50% of the attorney fees from the joint cases.  
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9 After Bloom served a demand for arbitration pursuant to the JVA, Liberty was forced to  
10 file a declaratory relief action in Alameda County Superior Court to determine whether a valid fee  
11 sharing agreement existed and was enforceable; whether Bloom was entitled to quantum meruit  
12 fees if the agreement was unenforceable; and a stay of arbitration pending decision on the  
13 enforceability of the agreement. Bloom moved to compel arbitration, which was unopposed, and  
14 the parties arbitrated on or about August 25, 2021, over three weeks with 7 days of argument and  
15 testimony. The arbitration panel entered an award requiring Liberty Law Office, Inc. to pay  
16 Bloom a total of \$821,400.70 on resolved cases and 50% of the amounts due on delineated cases  
17 that were still unresolved as of the date of the award. The award also required Liberty Law Corp  
18 to pay Bloom an additional \$160,020.00 for arbitration fees. On January 28, 2022, the Alameda  
19 County Court granted Bloom's petition to confirm award. Liberty has appealed the award which is  
20 currently pending before the First Appellate District. The judgment is not stayed because Liberty  
21 could not post a bond at the percentage Bloom would agree to.  
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24 Bloom immediately began aggressively collecting on the judgment. Liberty formed a new  
25 entity to continue practicing law and attempted to negotiate a settlement with Bloom. On October  
26 30, 2023, Bloom moved for an amended judgment to name her new law corporation, Liberty Law,  
27 Inc. and Micha Star Liberty, individually, as judgment debtors under an alter-ego theory of  
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1 liability. The state court found that Liberty is the alter ego of Liberty Law Office, Inc. and that  
2 Liberty Law, Inc. is the successor to Liberty Law Office, Inc. and granted the motion to amend the  
3 judgment to include Liberty, individually, and Liberty Law Office, Inc. as judgment debtors.

4 Bloom continues to collect on her judgment, which is causing Liberty to incur costs to now  
5 defend a fraudulent transfer suit against herself individually, the successor law firm and her  
6 mother, Linda Culler, as Trustee of the Rising Star Trust, and also respond to discovery and  
7 demands related to Bloom's Order for Examination. In early March, Liberty retained bankruptcy  
8 counsel and at the same time paid Bloom \$400,000 toward the judgment. Bankruptcy counsel  
9 attempted to meet informally with Bloom's counsel to see if a settlement and payment plan could  
10 be reached, and while Bloom's counsel was agreeable to meeting, Bloom's counsel would not halt  
11 collection efforts in the meantime and filed a motion to appoint a limited receiver. Liberty filed  
12 her pending Chapter 13 Petition on an emergency basis to seek protection from Bloom's collection  
13 efforts which are significantly impairing her ability to practice law and effectively reorganize.  
14 Bloom's position is that Liberty's automatic stay is not applicable to her solely owned  
15 corporations, which Bloom has already successfully argued are the alter-egos of Liberty.

16 Additionally, Bloom is suing Liberty's mother, Linda Culler as a fraudulent transferee,  
17 because Culler serves as trustee for Liberty's revocable trust which holds title to Liberty's primary  
18 residence.

19 Liberty's bankruptcy counsel and state court counsel provided notice to Bloom of  
20 Liberty's Chapter 13 Bankruptcy. A Notice of Bankruptcy was filed in the SCA. On March 26,  
21 2024, Bloom filed a Notice the Proceedings are Not Stayed as to Non-Debtors asserting that the  
22 stay does not apply to Liberty Law Office, Liberty Law, Inc. and Culler.

23 Liberty's employment and income is solely derived through her practice of law. Bloom  
24 has established that she is the alter-ego of her law corporations, so the stay must apply to her  
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1 corporations, in order to stop Bloom's collection efforts and receivership action and allow Liberty  
2 to reorganize. Since Linda Culler is the trustee of Liberty's revocable trust, there is no reason to  
3 maintain a separate action against her as trustee, all of the trust property is property of Liberty's  
4 bankruptcy estate and the stay must likewise apply to Linda Culler as Trustee of the Rising Star  
5 Trust.

## 6 7 **POINTS AND AUTHORITIES**

8 "Section 105(a) gives the bankruptcy courts the power to stay actions that are not subject  
9 to the 11 U.S.C. § 362(a) automatic stay but 'threaten the integrity of a bankrupt's estate.'" *In re*  
10 *MyLife*, 2022 Bankr. Lexis 3363 (Bankr. C.D. CA. 2022) citing *Indivos Corp. v. Excel Innovations,*  
11 *Inc., Ned Hoffman (In re Excel Innovations, Inc.)*, 502 F.3d 1086, 1095 (9th Cir. 2007). "The  
12 standard governing issuance of a preliminary injunction also applies to issuance of a § 105  
13 injunction, except that in lieu of showing a likelihood of success on the merits, the debtor "must  
14 show a reasonable likelihood of a successful reorganization." *Id.* "A § 105 injunction should "not  
15 be granted lightly," *id.* A Debtor must also show that he is likely to suffer irreparable harm in the  
16 absence of relief, that the balances of equities tips in his favor, and that an injunction is in the  
17 public interest. *Id.* citing *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20, 129 S. Ct. 365, 374,  
18 172 L. Ed. 2d 249 (2008).

19  
20 Courts within the Ninth Circuit have held that the automatic stay can be extended to non-  
21 debtors "where: (1) there is such identity between the debtor and the third-party defendant that the  
22 debtor may be said to be the real party defendant and that a *judgment against the third-party*  
23 *defendant will in effect be a judgment or finding against the debtor*, or (2) extending the stay  
24 against codefendants contributes to the debtor's efforts of rehabilitation." *PNC Bank, N.A. v.*  
25 *Smith*, 2014 U.S. Dist. LEXIS 46163, 3-5 (E.D. Cal. Mar. 31, 2014) (internal citations omitted)  
26 citing *United States v. Dos Cabezas Corp.*, 995 F.2d 1486, 1491 n. 3 (9th Cir. 1993); see also  
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1 *Queenie, Ltd. v. Nygard Int'l*, 321 F.3d 282, 287 (2d Cir. 2003) (staying the proceedings against  
2 not only the debtor individual defendant, but also the non-debtor corporation co-defendant that  
3 was wholly owned by him because the "claim against the non-debtor will have an immediate  
4 adverse economic consequence for the debtor's estate"). Where a lawsuit "could directly affect"  
5 the estate(s), injunctive relief extending the stay to non-debtor parties is appropriate. *In re Quigley*  
6 *Co., Inc.*, 676 F.3d 45 (2nd Cir. 2012) cert. denied sub nom. *Pfizer, Inc. v. Law Offices of Peter G.*  
7 *Angelos*, 133 S. Ct. 2849, 186 L. Ed. 2d 908 (2013). The circumstances of this case warrant the  
8 extension of the stay to the Bloom Action for several reasons:

10 **A. There is a Unity of Interest Between Liberty, Liberty Law, Inc. Liberty Law**  
11 **Office, Inc. and the Rising Star Trust such that the Stay Should be Extended to these**  
12 **Entities.**

13 Liberty is the sole owner of her professional corporations, Liberty Law, Inc., which is no  
14 longer operating, and Liberty Law Office, Inc. Bloom has already determined that Liberty is the  
15 alter-ego of her professional corporation and that Liberty Law Office, Inc. is the successor of  
16 Liberty Law, and has thus established "such identity between the debtor and the third-party  
17 defendants" that Bloom's judgment has been amended to include Liberty individually. Further,  
18 Liberty's interest in these entities is property of the bankruptcy estate and any collection that is  
19 allowed to proceed against them in state court will prevent Liberty from effectively organizing.  
20 Liberty primarily derives her income from her law practice and if the stay is not extended, she will  
21 be diverted from focusing on her plan of reorganization as she defends the receivership action in  
22 state court. Further, if the receivership is granted as to her corporations, she will be defending  
23 investigations into those entities by a receiver for the purpose of collecting a debt against her,  
24 individually, since Bloom's claims are that Liberty has not adhered to corporate formalities and  
25 has appropriated corporate assets, which claims formed the basis of her successful alter-ego  
26 claims. If collection is allowed to continue against her corporations, including Bloom's request  
27 for discovery sanctions against Liberty, individually, the stay will be illusory and ineffective in  
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1 allowing Liberty the chance to reorganize.

2 **B. The Rising Star Trust is a Revocable Trust Established by Liberty and the Stay**  
3 **therefore Applies to the Trustee, Bloom has Violated the Stay by Moving Asserting the Stay**  
4 **Does not Apply**

5 Bloom is suing Culler as Trustee of Liberty's revocable trust on a fraudulent transfer  
6 theory. Liberty's trust is revocable and Liberty, as grantor, maintains the power over the trustee  
7 and all of the trust property, including distributions of income and principal, and the right to  
8 amend, restate or revoke the trust. As such, Liberty holds legal and equitable interests in the trust  
9 property it is therefore property of the estate. Bloom's assertion that her action against Culler as  
10 Trustee does not violate the stay is wrong and subjects her to damages pursuant to 11 U.S.C. §§  
11 362(k) and 105, for Bloom's continued prosecution of the SCA as to Culler.

12  
13 **CONCLUSION**

14 For the reasons stated herein, the Debtor respectfully request that the Court enter an order  
15 extending the automatic stay to Liberty Law Office, Inc. and Liberty Law, Inc., for and order  
16 declaring the stay applies to Culler as Trustee of the Rising Star Trust Dated October 15, 2021, for  
17 sanctions for Bloom's violation of the stay in asserting to the state court that it does not apply to  
18 Culler and for further relief as the Court deems proper.

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20  
21 Dated: April 2, 2024

KORNFIELD, NYBERG, BENDES, KUHNER & LITTLE,  
P.C.

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25 /s/ SARAH LAMPI LITTLE  
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